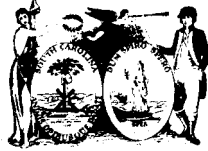


State of South Carolina



Office of the State Auditor

1401 MAIN STREET, SUITE 1200  
COLUMBIA, S.C. 29201

THOMAS L. WAGNER, JR., CPA  
STATE AUDITOR

(803) 253-4160  
FAX (803) 343-0723

October 8, 2001

Mr. Eric Rogers, Controller  
LexMed, Inc.  
815 Old Cherokee Road  
Lexington, South Carolina 29072-9041

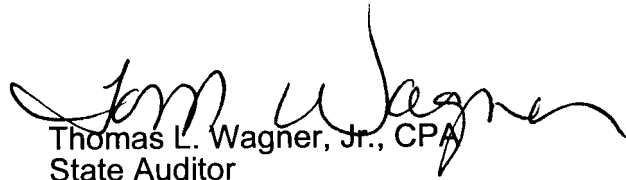
Re: AC# 3-LMC-J9 – LexMed, Inc. d/b/a Lexington Medical Center Extended Care

Dear Mr. Rogers:

The accompanying report has been prepared by our office based on your Medicaid Financial and Statistical Report submitted to the Department of Health and Human Services for the cost report period October 1, 1998 through September 30, 1999. That report was used to set the rate covering the contract period beginning October 1, 2000.

We are recommending that the Department of Health and Human Services certify an accounts receivable to recover amounts due as a result of the rate change shown on Exhibit A. You will be notified of repayment terms by that Agency.

If you take exception to this report in any manner, you have the right to appeal in accordance with the Code of Laws of South Carolina, 1976 as amended, Title 44, and Department of Health and Human Services Regulation R.126-150, and you must respond in writing within thirty (30) calendar days of the date of this letter. This written response must address the specific items in the report being appealed, and must be directed to the Appeals and Hearings, Department of Health and Human Services, Post Office Box 8206, Columbia, South Carolina 29202-8206. Any correspondence should include the control number appearing on Exhibit A of this report.

  
Thomas L. Wagner, Jr., CPA  
State Auditor

TLWjr/sag

cc: Ms. Brenda L. Hyleman  
Mr. Jeff Saxon  
Mr. Joseph Hayes

**LEXMED, INC. D/B/A  
LEXINGTON MEDICAL CENTER EXTENDED CARE**

**LEXINGTON, SOUTH CAROLINA**

**CONTRACT PERIOD  
BEGINNING OCTOBER 1, 2000  
AC# 3-LMC-J9**

**REPORT ON CONTRACT  
FOR  
PURCHASE OF NURSING CARE SERVICES  
WITH  
STATE OF SOUTH CAROLINA  
DEPARTMENT OF HEALTH AND HUMAN SERVICES**

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# State of South Carolina



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### INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

February 27, 2001

Department of Health and Human Services  
State of South Carolina  
Columbia, South Carolina

We have performed the procedures described below, which were agreed to by the South Carolina Department of Health and Human Services, solely to compute the rate change and related adjusted reimbursement rate to be used by the Department in determining the reimbursement settlement with LexMed, Inc. d/b/a Lexington Medical Center Extended Care, for the contract period beginning October 1, 2000, and for the twelve month cost report period ended September 30, 1999, as set forth in the accompanying schedules. This engagement to apply agreed-upon procedures was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the Department of Health and Human Services. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

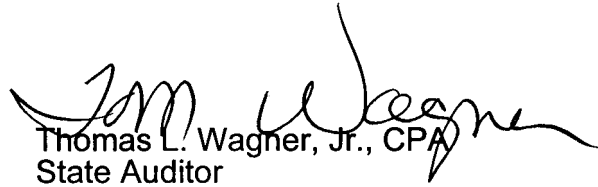
The procedures and the associated findings are as follows:

1. We tested selected costs or areas based on our analytical procedures applied to the reimbursable Medicaid program costs as shown on the Financial and Statistical Report for Nursing Homes, as filed by LexMed, Inc. d/b/a Lexington Medical Center Extended Care, to determine if these costs were allowable as defined by the State Plan for Medicaid reimbursement purposes and supported by accounting and statistical records maintained by the provider. Our findings as a result of these procedures are presented in the Adjustment Report, Summary of Costs and Total Patient Days, and Cost of Capital Reimbursement Analysis sections of this report.
2. We recomputed the Computation of Reimbursement Rate using the adjusted costs and calculated the rate change in accordance with the provisions of the contract between the Department of Health and Human Services and LexMed, Inc. d/b/a Lexington Medical Center Extended Care dated as of October 1, 1994 as amended. Our findings as a result of these procedures are presented in the Computation of Rate Change and Computation of Adjusted Reimbursement Rate sections of this report.

Department of Health and Human Services  
State of South Carolina  
February 27, 2001

We were not engaged to, and did not, perform an audit, the objective of which would be the expression of an opinion on the specified elements, accounts, or items. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the South Carolina Department of Health and Human Services and is not intended to be and should not be used by anyone other than the specified party.

  
Thomas L. Wagner, Jr., CPA  
State Auditor

**LEXMED, INC. D/B/A LEXINGTON MEDICAL CENTER EXTENDED CARE**

Computation of Rate Change  
For the Contract Period  
Beginning October 1, 2000  
AC# 3-LMC-J9

Interim reimbursement rate (1)	\$113.26
Adjusted reimbursement rate	<u>111.80</u>
Decrease in reimbursement rate	\$ <u><u>1.46</u></u>

(1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing dated December 19, 2000

**LEXMED, INC. D/B/A LEXINGTON MEDICAL CENTER EXTENDED CARE**Computation of Adjusted Reimbursement Rate  
For the Contract Period Beginning October 1, 2000  
AC# 3-LMC-J9

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$54.43	\$54.01	
Dietary		10.76	10.12	
Laundry/Housekeeping/Maint.		<u>8.36</u>	<u>8.88</u>	
Subtotal	\$ <u>-</u>	73.55	73.01	\$ 73.01
Administration & Med. Records	\$ <u>-</u>	<u>11.04</u>	<u>10.55</u>	<u>10.55</u>
Subtotal		84.59	<u>\$83.56</u>	83.56
<u>Costs Not Subject to Standards:</u>				
Utilities		3.12		3.12
Special Services		.48		.48
Medical Supplies & Oxygen		6.92		6.92
Taxes and Insurance		.27		.27
Legal Fees		<u>.01</u>		<u>.01</u>
<b>TOTAL</b>		<u>\$95.39</u>		94.36
Inflation Factor (3.20%)				3.02
Cost of Capital				10.75
Cost of Capital Limitation				-
Profit Incentive (Max. 3.5% of Allowable Cost)				-
Cost Incentive				-
Effect of \$1.75 Cap on Cost/Profit Incentives				-
Nurse Aide Staffing Add-on 10/1/2000				1.94
Nurse Aide Staffing Add-On 10/1/1999				<u>1.73</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$111.80</u>

**LEXMED, INC. D/B/A LEXINGTON MEDICAL CENTER EXTENDED CARE**

Summary of Costs and Total Patient Days  
For the Cost Report Period Ended September 30, 1999  
AC# 3-LMC-J9

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&amp;HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
General Services	\$ 6,785,246	\$ -	\$ -	\$ 6,785,246
Dietary	1,340,930	-	-	1,340,930
Laundry	328,439	-	4,513 (2)	323,926
Housekeeping	438,526	2,806 (5)	2,806 (6)	438,526
Maintenance	279,692	1,755 (5)	1,754 (6)	279,693
Administration & Medical Records	1,379,859	3,435 (5)	6,628 (6)	1,376,666
Utilities	389,156	2,436 (5)	2,436 (6)	389,156
Special Services	69,652	-	9,609 (4)	60,043
Medical Supplies & Oxygen	877,054	-	14,950 (3)	862,104
Taxes and Insurance	33,124	203 (5)	205 (6)	33,122
Legal Fees	1,708	4 (5)	8 (6)	1,704
Cost of Capital	1,495,788	10,463 (5) 21,090 (7)	164,451 (1) 9,565 (6)	1,339,655
			<u>13,670 (8)</u>	
Subtotal	13,419,174	42,192	230,595	13,230,771
Ancillary	301,523	14,950 (3)	-	316,473
Non-Allowable	1,130,921	164,451 (1) 4,513 (2) 9,609 (4) 23,402 (6) <u>13,670 (8)</u>	21,102 (5) 21,090 (7)	1,304,374
Total Operating Expenses	<u>\$14,851,618</u>	<u>\$272,787</u>	<u>\$272,787</u>	<u>\$14,851,618</u>
Total Patient Days	<u>124,649</u>	<u>-</u>	<u>-</u>	<u>124,649</u>

Total Beds 352



**LEXMED, INC. D/B/A LEXINGTON MEDICAL CENTER EXTENDED CARE**Adjustment Report  
Cost Report Period Ended September 30, 1999  
AC# 3-LMC-J9

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Nonallowable Loan Closing - Cost of Capital	\$164,451	\$164,451
	To adjust loan closing cost HIM-15-1, Section 233.4		
2	Nonallowable Laundry	4,513	4,513
	To properly classify expenses State Plan, Attachment 4.19D		
3	Ancillary - Lab Ancillary Medical Supplies	14,950	14,950
	To properly classify Ancillary expenses State Plan, Attachment 4.19D		
4	Nonallowable Special Services	9,609	9,609
	To remove special (ancillary) services State Plan, Attachment 4.19D		
5	Cost of Capital Taxes and Insurance Administration Legal Maintenance Utilities Housekeeping Nonallowable	10,463 203 3,435 4 1,755 2,436 2,806	21,102
	To reverse DH&HS adjustment to remove indirect costs applicable to non-reimbursable cost centers State Plan, Attachment 4.19D		

**LEXMED, INC. D/B/A LEXINGTON MEDICAL CENTER EXTENDED CARE**Adjustment Report  
Cost Report Period Ended September 30, 1999  
AC# 3-LMC-J9

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
6	Nonallowable	23,402	
	Cost of Capital		9,565
	Taxes and Insurance		205
	Administration		6,628
	Legal		8
	Maintenance		1,754
	Utilities		2,436
	Housekeeping		2,806
	To remove indirect costs applicable to non-reimbursable cost centers State Plan, Attachment 4.19D		
7	Cost of Capital	21,090	
	Nonallowable		21,090
	To adjust facility depreciation and amortization per Cost of Capital policy State Plan, Attachment 4.19D		
8	Nonallowable	13,670	
	Cost of Capital		13,670
	To adjust capital return State Plan, Attachment 4.19D		
	TOTAL ADJUSTMENTS	<u>\$272,787</u>	<u>\$272,787</u>

Due to the nature of compliance reporting, adjustment descriptions and references contained in the preceding Adjustment Report are provided for general guidance only and are not intended to be all-inclusive.

**LEXMED, INC. D/B/A LEXINGTON MEDICAL CENTER EXTENDED CARE**  
**Cost of Capital Reimbursement Analysis**  
**For the Cost Report Period Ended September 30, 1999**  
**AC# 3-LMC-J9**

	<u>Original 132 Beds</u>	<u>176 Bed Addition</u>	<u>44 Bed Addition</u>	
Original Asset Cost (Per Bed)	\$ 15,618	\$ 15,618	\$ 15,618	
Inflation Adjustment	<u>2.3156</u>	<u>2.3156</u>	<u>2.3156</u>	
Deemed Asset Value (Per Bed)	36,165	36,165	36,165	
Number of Beds	<u>132</u>	<u>176</u>	<u>44</u>	
Deemed Asset Value	4,773,780	6,365,040	1,591,260	
Improvements Since 1981	1,153,222	544,992	-	
Accumulated Depreciation at 9/30/99	<u>(1,813,255)</u>	<u>(1,236,081)</u>	<u>(173,684)</u>	
Deemed Depreciated Value	4,113,747	5,673,951	1,417,576	
Market Rate of Return	<u>.060</u>	<u>.060</u>	<u>.060</u>	
Total Annual Return	246,825	340,437	85,055	
Return Applicable to Non-Reimbursable Cost Centers	(572)	(1,051)	(66)	
Allocation of Rent and Interest to Non-Reimbursable Cost Centers	<u>1,655</u>	<u>2,206</u>	<u>552</u>	
Allowable Annual Return	247,908	341,592	85,541	
Depreciation Expense	254,831	364,934	63,651	
Amortization Expense	4,830	5,838	3,895	
Capital Related Income Offsets	(8,925)	(11,900)	(2,975)	
Allocation of Capital Expenses to Non-reimbursable Cost Centers	<u>(3,587)</u>	<u>(4,783)</u>	<u>(1,195)</u>	<u>Total</u>
Allowable Cost of Capital Expense	495,057	695,681	148,917	\$1,339,655
Total Patient Days (Actual Days)	<u>46,743</u>	<u>62,325</u>	<u>15,581</u>	<u>124,649</u>
Cost of Capital Per Diem	<u>\$ 10.59</u>	<u>\$ 11.16</u>	<u>\$ 9.56</u>	<u>\$ 10.75</u>

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